

RNC donation raises questions on federal monitoring

The Boston Globe

By Michael Kranish, Globe Staff | October 1, 2005

WASHINGTON -- At the same time that House majority leader Tom DeLay allegedly conspired to send \$190,000 in corporate money through the Republican National Committee to candidates for the Texas Legislature, one of DeLay's former aides was making an even larger donation to the Republican Party. It was a donation of \$500,000, and the GOP promptly wrote a check for a similar amount to the Republican candidate for Alabama governor.

This second case suggests that the funneling of large amounts of money through national committees to bypass state campaign-finance laws may be more widespread, raising questions about whether federal officials have monitored such transfers as closely as is now being done by a Texas prosecutor in the DeLay case, according to watchdog groups.

Indeed, the groups maintain that officials, especially those at the Federal Election Commission, routinely fail to investigate questionable transactions. "The limits are constantly being tested because people operate on the assumption that the enforcement agency isn't going to do anything about it," said Fred Wertheimer, president of Democracy 21, which wants stricter campaign finance laws.

DeLay's defenders say funneling money through various committees is common. Charles Spies, a lawyer representing the RNC, testified in a lawsuit earlier this year that it was legal for DeLay's political action committee to give \$190,000 in corporate funds to the RNC, and for the RNC then to give that same amount to candidates for the Texas Legislature, even though such candidates are not allowed to receive corporate funds directly.

"Whether it was a coincidence or whether, in sort of the worst-case scenario that you've tried to put together, it was a fully arranged deal to send up \$190,000 worth of corporate dollars and then later send back . . . \$190,000 of personal dollars, who cares? It's perfectly legal," Spies said in his testimony last March.

That is not the view of Ronald Earle, the Travis County prosecutor who has brought the case against DeLay, who was indicted in connection with the transaction on Wednesday. Earle said he sought the indictment because Texas law prohibits legislative candidates from receiving corporate contributions. Earle has alleged that DeLay conspired with two associates to raise corporate money and give the funds to the Republican National Committee. The indictment alleges that DeLay's aides told the RNC to send \$190,000 back to Republican candidates for the Texas Legislature.

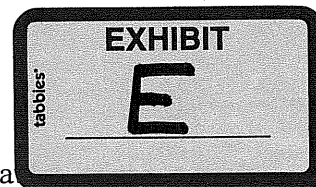
But it's not the only instance of a donation being funneled to the Republican Party, after which a similar-sized donation is made to a state candidate.

Just a few weeks after DeLay's Texans for a Republican Majority sent its \$190,000 check to the RNC, one of DeLay's former aides, Michael Scanlon, showed up at the Republican Governors Association with checks totaling \$500,000.

Scanlon was working with Washington lobbyist Jack Abramoff on behalf of Indian gaming tribes. Abramoff was recently indicted on charges of conspiracy and wire fraud, and Scanlon and Abramoff are under investigation for fraud in connection with their lobbying for the tribes.

One of Abramoff's top clients was a Mississippi Indian tribe, the Choctaws, which hoped to stop or slow the expansion of legalized gambling in neighboring Alabama. Shortly after Scanlon delivered the \$500,000 from his company, Capitol Campaign Strategies, the Republican Party sent \$600,000 to Bob Riley, the Republican candidate for governor of Alabama. Riley opposed the expansion of gambling and thus was favored in the election by the Choctaws. Scanlon, in addition to having once worked for DeLay, also had once worked as a staff member for Riley.

Riley won the election, defeating Governor Don Siegelman, who favored an expansion of legalized gambling. "It looks to me that somebody wanted to hide where this money was coming from," Siegelman said of the \$500,000 that went to his rival.



"It is similar" to the DeLay case, said Melanie Sloan, director of Citizens for Responsibility and Ethics in Washington, arguing that that donation's purpose, as in the DeLay case, was to bypass state laws.

Under Alabama law, a person can give unlimited funds to a state candidate, but a corporation can give no more than \$500 per election cycle, according to a spokesman for the Alabama secretary of state. Scanlon's group would have been banned from contributing anything more than \$500 to Riley.

Unlike the DeLay case, no charges have been made against Scanlon and he has not spoken about the details of the transaction. Scanlon's lawyer, Stephen Braga, said he could not comment because the matter is under federal investigation.

The Republican Governors Association said in a statement yesterday that Scanlon's funds were not earmarked for delivery into Riley's campaign.

"In 2002 the RGA spent over \$2 million in support of the Riley campaign and we couldn't be more pleased with the leadership he's shown as governor," the statement said. "The RGA fully complies with all relevant state and federal election laws and it has been our policy not to earmark contributions."

Initially, the RGA did not report that it had received the \$500,000. The donation was not made public until April 2003, long after Riley won the election. The RGA has said the failure to report Scanlon's donation was a bookkeeping error. A Riley spokesman could not be reached for comment.

The money transfer to the Riley campaign followed earlier efforts by the Choctaws to try to stop legalized gambling in Alabama. ■

© Copyright 2005 The New York Times Company